Nova Scotia Department of Finance

Business Plan
2003/04

NOVA SCOTIA
Department of Finance

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Message from the Minister

Business planning is an essential tool for any organization interested in achieving its objectives in a cost-effective and timely manner. The Department of Finance is committed to open and transparent accounting of the province's finances, and through this Business Plan, we will show Nova Scotia taxpayers how we intend to accomplish this.

A balanced budget is once again our primary objective, while continuing to provide a high level of quality service to other departments within government, and to the people of Nova Scotia. Providing equitable, efficient and effective taxation that promotes economic growth in a strategic way is a key goal for the Department of Finance as we head into the 2003-2004 fiscal year.

The Honourable Neil LeBlanc
Minister of Finance

Howard C. Windsor
Deputy Minister of Finance

Mission Statement

To establish a fiscal climate conducive for economic growth and to provide central agency support and policy direction for effective management of the Province's finances and pensions administration.

Planning Context

The department faces a number of opportunities and challenges in achieving its strategic goals:

- maintain a sustainable fiscal plan and a balanced budget amid increased public demand for services and programs, especially health, education and infrastructure
- ensure increased interdepartmental and intergovernmental collaboration and participation on financial issues affecting Nova Scotia
- provide effective management of the province's financial assets and liabilities under conditions of global economic uncertainty and volatility
- balance the increasing demand and expectations for central agency services to all departments and agencies with the core finance functions of the department
- recruit and maintain highly skilled and motivated staff who are able to meet the increasing work and client demands

The department's main resource is its staff consisting of experienced professionals in the fields of financial analysis and accountability, investments, cash management, pension administration, financial products, economics, taxation, federal-provincial fiscal arrangements, statistics, and policy development.

The department must keep stakeholders, which include the investment community and the general public, informed with timely and reliable information regarding financial reports, including the annual provincial budget. As part of its communication strategy, the department's website will continue to be enhanced to provide up to date information about the department's activities and the province's finances.

The department is leading a collaborative effort with other agencies, boards and local governments to assist in achieving its goal of financial accountability. Partnerships have been established within the broader public sector, including school boards, district health authorities, and municipalities through the implementation of a common Enterprise Resource Planning System which provides for the integration of information and standardized reporting across provincial public sector entities. This system not only spans the entire range of business done by government, but also has the ability to remain current with government's changing needs.

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Strategic Goals

- enhance financial accountability and fiscal planning in the management and control of the province's finances
- achieve effective money management that maximizes return on investments and minimizes debt servicing costs within acceptable risk tolerances
- provide for equitable, efficient and effective taxation that promotes economic growth in a strategic way
- provide a core set of central agency services that supports other government departments and agencies in the management of the province's programs and public resources

The strategic goals of the Department of Finance represent the achievements that are key to meeting our mission statement. The strategic goals are consistent with, and support, the overall priorities of the government within the context of fiscal sustainability and a balanced budget.

Core Business Areas

Financial Management

Ensure financial accountability in the management and control of the province's finances

- financial accountability and governance
- expenditure monitoring and reporting (shared with Treasury & Policy Board)
- accounting, payroll, and pension administration

Investment and Treasury Management

Achieve effective money management that maximizes return on investments and minimizes debt servicing costs within risk tolerances acceptable to government

- managing the debt portfolio
- treasury function and investor relations
- managing the provincial pension funds

Fiscal Planning and Policy

Ensure responsible fiscal planning and budgeting that includes equitable, efficient and effective taxation to promote economic growth in a strategic way

- fiscal planning and budgeting (shared with Treasury & Policy Board)
- revenue and economic forecasting
- tax policy/analysis and federal fiscal policies and arrangements

Central Agency Services

Provide a core set of central agency services that support the management of the province's programs and public resources, in addition to supporting the core business functions of the Department of Finance

- Statistics
- Economic Policy and Analysis
- Internal Audit

The department's core business areas directly support the priorities of government as reflected in the Throne Speech and government's stated commitments. Many activities within the core business areas reinforce these linkages. Economic development is enhanced with the overall fiscal health of the province and through effective taxation policies. The development of accountability mechanisms in legislation and regulations directly supports the government's directions. As an integral part of the department's culture, Finance is a dynamic organization that reviews its services on an ongoing basis and responds to client needs and feedback within its fiscal capacity. All aspects of the department's core business areas support achieving fiscal stability and building a responsive and accountable government.

Priorities for 2003/04

The following details a list of programs or services delivered or administered by Finance that collectively address the mandate and strategic goals of the department.

Financial Management

- improve overall fiscal management by producing relevant and timely financial reports and continue to monitor and report on the fiscal plan in a timely manner, in conjunction with Treasury and Policy Board
- enhance accountability and governance structures as they relate to public policy and administration of financial resources through the government's financial management policies and procedures – ensure compliance with the Public Sector Accounting Board (PSAB) Guidelines and adherence to Generally Accepted Accounting Principles (GAAP) for reporting financial results
- maintain timely and efficient payroll and government accounting services to government departments and agencies and maintain effective and efficient administration of pension services to plan members and beneficiaries

Investment and Treasury Management

- effectively manage financial risk, due to unforeseen events, in managing the investment assets and liabilities of the province
- continue to reduce the province's foreign currency exposure
- improve investor relations by making strong presentations to rating agencies on our financial position
- effectively manage the assets of the Teachers' Pension Plan and Public Service Superannuation Plan and the pensions plans and insurance programs of the former Sydney Steel Corporation

Fiscal Planning and Policy

- support a prudent, sustainable and balanced fiscal plan
- provide an assessment of the tax initiatives within the province to achieve a more competitive and responsive tax environment
- provide timely revenue forecasts essential to government's fiscal planning and budgeting
- provide tax policy and advisory services to departments and agencies to ensure new programs

and services consider tax implications and are cost-effective in the use of public funds
- provide research, analysis and advice on key federal-provincial issues and effectively represent Nova Scotia's interests in negotiations with other governments in such areas as federal transfer payments comprising Equalization, the Canada Health and Social Transfer, and tax collection agreements

Central Agency Services
- provide government departments and agencies with advice on and access to a wide range of social and economic statistics to support evidence-based management and policy development
- provide economic impact, benefit-cost and economic policy analysis to client departments and agencies for optimal use of public funds
- perform value-added corporate audit services to client departments and agencies for effectiveness of control structures and cost-effective usage of public funds

Red Tape Reduction

N/A

Budget Context Chart

		Dept of Finance Estimated Budget Expenditures	
	2002/03 Estimate	**2002/03 Forecast**	**2003/04 Budget**
	(Per 02\03 Estimates Book)	(Per 03\04 Estimates Book)	(Per 03\04 Estimates Book)
	$ Thousands	$ Thousands	$ Thousands
Total Program Expenses - Gross Current	24,169	24,636	27,216
Net Program Expenses - Net of Recoveries	13,329	13,196	13,235
Salaries and Benefits - Gross	11,140	11,435	13,918
Funded Staff (FTEs) Gross	193.3	193.2	236.9
Funded Staff (FTE's) Net			159.9

Outcome/Performance Measures

The following provides information related to the intended result that is accomplished/achieved by a program/service/policy (Attachment A).

Attachment A
Core Business Area: Financial Management

OUTCOME	MEASURE	DATA	TARGET-2003-04	TARGET-2004-05	STRATEGIES to achieve target
effective management of the province's financial operating resources	comparison of actual results to budget	02/03 balanced	balanced	balanced	work closely with TPB to ensure expenditure control is maintained
	systems in place to monitor third-party spending/common set of financial information to allow for information sharing – give realtime access to their respective reporting entities	(7) School Boards	start deploying to schools	start deploying to District Health Authorities	continue with the implementation of a common enterprise resource planning system (SAP) for financial reporting entities within the broader public sector including school boards, district health authorities
	systems in place to enhance service delivery in the MASH (municipalities, academia, schools, hospitals) sector including Human Resource modules, Procurement, Business Warehouse, Tax and Water	(7) Regional Housing Authorities (HR modules) (7) School Boards (Business Warehouse) (5) Municipalities (Procurement)	Customer Care and Services Module for Municipal Tax and Water Billing in 5 municipalities Financials and Procurement Modules in additional municipalities Business Warehouse Info System within departments / agencies	Human Resources and Payroll modules for all departments / agencies / school boards	continue with the implementation of a common enterprise resource planning system (SAP) to enhance business operations for provincial reporting entities (MASH sector)
			complete a high level review of SAP usage	expand	develop a high-level business case for optimizing usage of SAP – Optimal Utilization Strategy
	outcomes reporting using CICA indicators	target 3 for 03/04	3 indicators		research and develop performance indicators based on Canadian Institute of Chartered Accountant guidelines (CICA indicators)

Core Business Area: Financial Management					
OUTCOME	**MEASURE**	**DATA**	**TARGET-2003-04**	**TARGET-2004-05**	**STRATEGIES to achieve target**
effective management of the province's operating resources	corporate risk-management framework		draft framework	decision on framework by government	conduct a national comparison of corporate risk-management practices and internal risk-management strategies and draft a framework
improved transparent and open financial reporting	date Public Accounts released and date updated forecasts are issued	reports released within legislated time frame for 02-03	Public Accounts ready for release by October 31st and updates as legislated	Public Accounts ready for release by October 31st and updates as legislated	develop procedures to expedite and improve production of public accounts and forecasts – map out time lines / process / create awareness
	degree of satisfaction by the Auditor General	favourable report 02-03	favourable report	favourable report	monitor adherence to GAAP monitor PSAB recommendations
	evaluation of Auditor General's recommendations	Auditor General's 2002 Report	prepare a plan to address recommendations	act on plan	develop and execute procedures to respond to the Auditor General's recommendations stemming from the 2002 Annual Report
	improved governance and accountability mechanisms		complete Phase 1 of an human resource strategy	implement Phase 2	evaluate and report on the defined financial community to determine roles, responsibilities and accountabilities
			implement a Public Service Pension Forum		determine the best governance structure for a Public Service Pension Forum

Core Business Area: Investment and Treasury Management					
OUTCOME	**MEASURE**	**DATA**	**TARGET-2003-04**	**TARGET-2004-05**	**STRATEGIES to achieve target**
efficient and prudent management of the province's financial assets and liabilities	net debt service costs expressed as a percentage of net debt outstanding	NS net debt servicing costs 01/02 (E) 8.01%	achieve net debt service percentage comparable to other provinces	achieve net debt service percentage comparable to other provinces	continue to manage debt and investment portfolio to achieve desired result within an appropriate level of risk
	percentage of foreign debt in debt portfolio	72.2% as of March '95 28.9% as of March ' 02	foreign debt not more than 20% of total debt	foreign debt not more than 20% of total debt	continue to refinance maturing debt in net Canadian dollar exposure
	credit ratings of major rating agencies	Dominion Bond Rating of Province of NS at BBB (high) with stable outlook '01-02	improve credit rating	improve credit rating	make strong presentations to rating agencies on our financial position
effective management of the assets of provincial pension plans	funded status of the Public Service Superannuation Fund and the Teacher's Pension Plan Fund	PSS 95.6% March '02 TPP 87.5% Dec '01	100 per cent funded status	100 per cent funded status	continue to manage pension funds to maximize rate of return within an appropriate level of risk. Generate a 4.25 % real rate of return annually develop a framework which could be utilized to reduce risk to the funds returns

Core Business Area: Fiscal Planning and Policy					
OUTCOME	**MEASURE**	**DATA**	**TARGET-2003-04**	**TARGET-2004-05**	**STRATEGIES to achieve target**
prudent and sustainable multi-year fiscal plan	surplus/deficit in fiscal plan	four year fiscal plan with first budget surplus in 02-03 of $8.3 million	meet legislated requirement for balanced budget	meet legislated requirement for balanced budget	work closely with TPB re expenditure control and complete implementation of fiscal models to improve in-house revenue forecasting
	provincial government debt as a percentage of GDP	actual net direct debt to GDP in 2000-01 was 45.1% 2001-02 was 44.1%	continue to reduce the ratio	continue to reduce the ratio	work closely with TPB re expenditure control
positive climate for investment that stimulates economic growth	overall personal income, corporate income and capital tax burden	marginal personal income tax rates 9.77, 14.95 & 16.67 (01-02) NS corporate income tax rate (2002) General 16%, Small Business 5%. Capital tax rate (2002) General 0.25%, Banks 3% NS total indirect taxes as a % of personal incomes in '99 was 15.4%	lowest level of tax burden in Atlantic Canada	lowest level of tax burden in Atlantic Canada	implement a personal income tax reduction continue to monitor the overall tax burden continue to participate in consumption tax discussions with other jurisdictions
effectively represent Nova Scotia's interest in federal fiscal policies and fiscal arrangements	description of issues and initiatives		keep major issues of importance to NS on priority list of federal government	keep major issues of importance to NS on priority list of federal government	represent Nova Scotia's interests at the renewal of the equalization program, health care funding, and HST revenue allocation prepare briefing material on key issues for use in Ministerial and First Ministers's discussions

Core Business Area: Central Agency Services					
OUTCOME	**MEASURE**	**DATA**	**TARGET-2003-04**	**TARGET-2004-05**	**STRATEGIES to achieve target**
improved program delivery and policy development based on evidence using social and economic statistics and analysis	use of Statistics Division web sites	77,000 PDF downloads in '01	steady increasing usage	steady increasing usage	enhancement of internet and intranet sites
	government department's awareness and use of the statistics division and economic policy and analysis division		two client departments	two client departments	carry out training sessions for use of statistics web sites and related resources and carry out training sessions for use of economic impact, benefit-cost and economic policy analysis
	accuracy of economic forecasts in comparison with other major forecasters		achieve better than average	achieve better than average	provide effective, timely and analytic support for projects and policy initiatives that support the province's energy and economic growth strategies continue development of forecasting model and monitor private forecasts
ensure accountability and cost-effective functioning of department programs and services through value-added corporate audits	comprehensive audit plan	29 of 34 requested audits completed in 01/02	effectively respond to / and prioritize requested audits		develop a strategy to effectively respond to and prioritize requested audits and sudden project requests monitor progress of projects against audit plan
	number of client departments surveyed and feedback received		survey at least 5 client departments and at least 2 new client departments or agencies	survey at least 5 client departments and at least 2 new client departments or agencies	randomly select five departments that have received internal audit services in the past and forward survey documents to them for feedback. Randomly select two new departments or agencies and arrange a consultation. Regularly monitor audit projects to ensure that proceed as planned